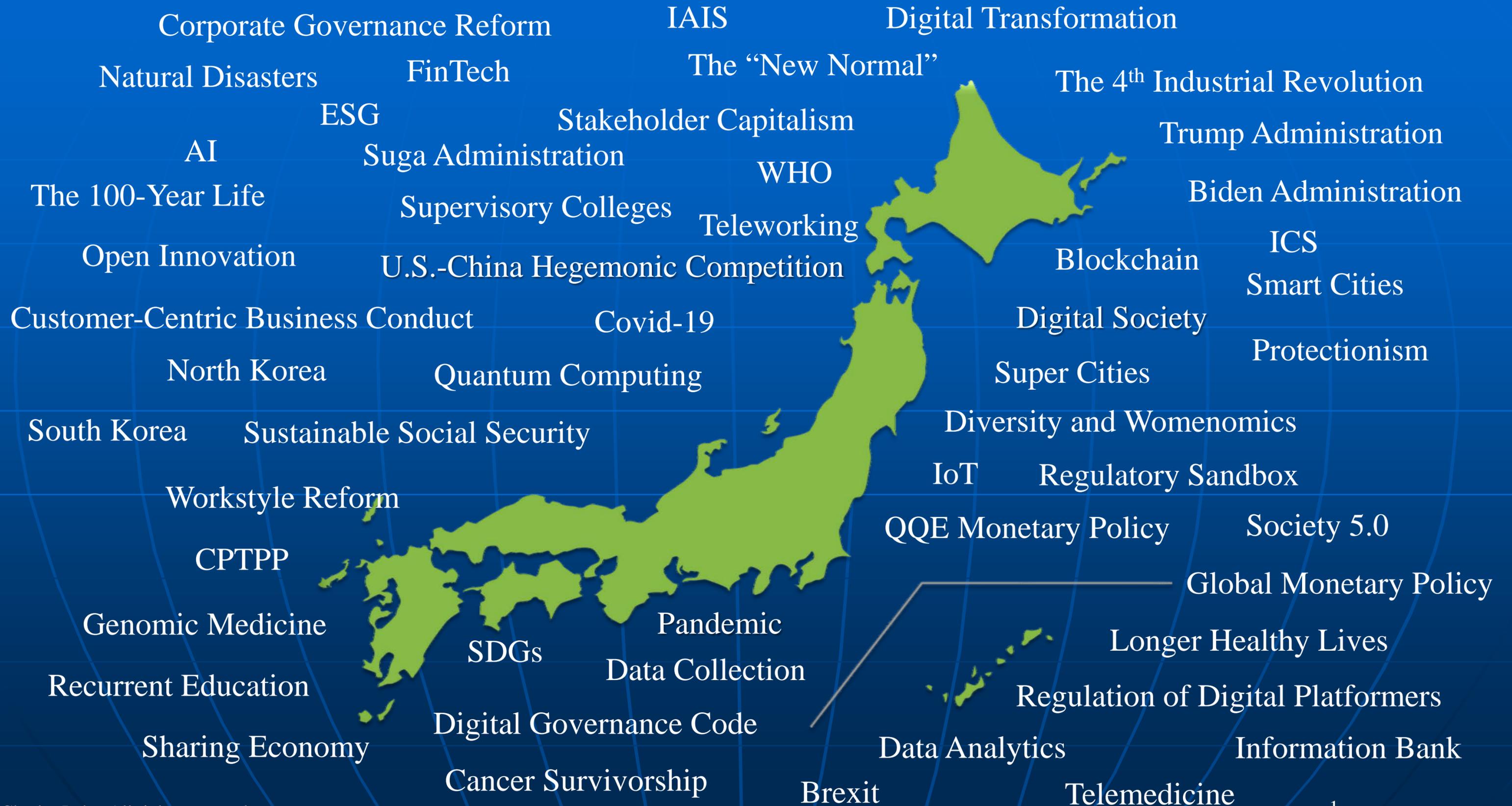

Creating Shared Value (CSV) Governance in an ESG Era

Charles Lake
Chairman and Representative Director
Aflac Life Insurance Japan



The Business Environment in an “Ultra-VUCA Era”



Shift toward “Stakeholder Capitalism”



(Source) Business Roundtable homepage

All companies **“share a fundamental commitment to all of our stakeholders”**

Source: *Statement on the Purpose of a Corporation*, Aug. 2019

The logo for the World Economic Forum, consisting of the words 'WORLD ECONOMIC FORUM' stacked vertically in a bold, sans-serif font. A stylized blue arc is positioned below the text, resembling a partial globe or a rising sun.

(Source) World Economic Forum homepage

Renewing the concept of stakeholder capitalism to overcome societal division, the climate crisis, and other major issues facing the world

Source: World Economic Forum, “Stakeholder Capitalism: A Manifesto for a Cohesive and Sustainable World,” January 14, 2020

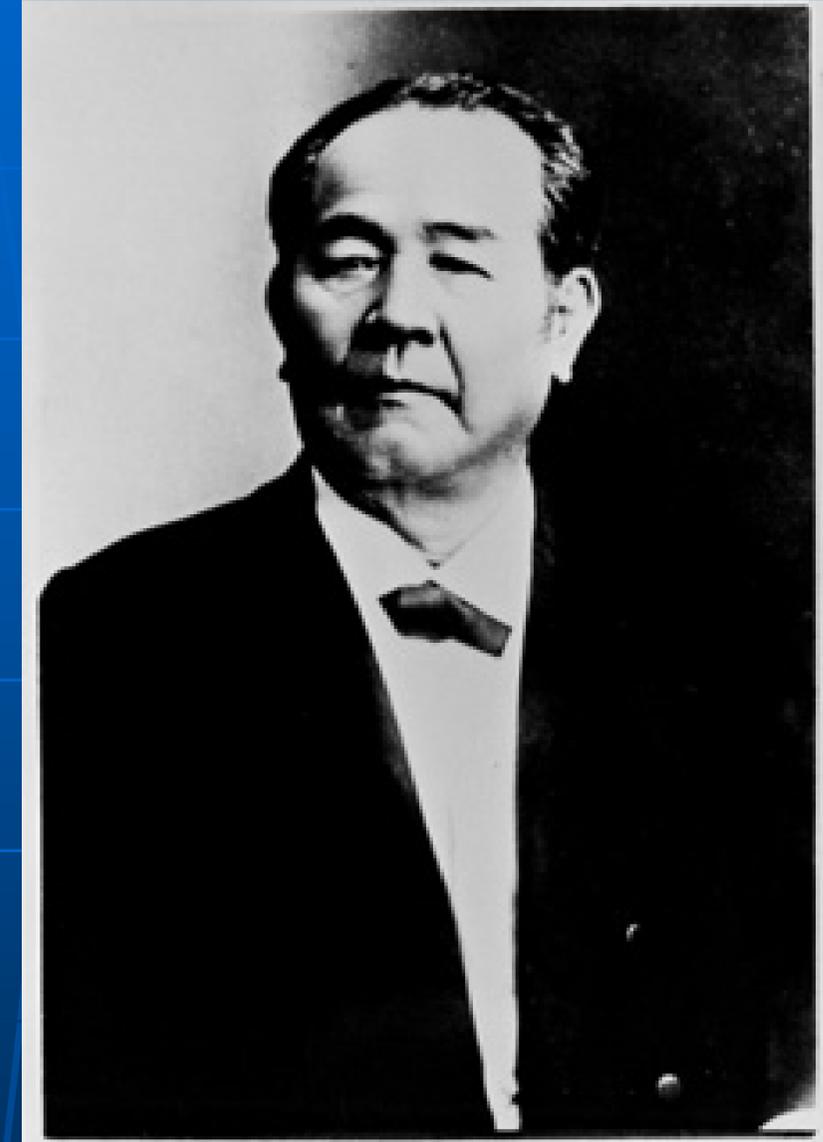
Japan's Origins of Stakeholder Capitalism

“Goodness in Three Directions”
business practices



Source: Nikkei

“The Analects and the Abacus”



Source: Eiichi Shibusawa Memorial Foundation website

Harmonization between profits and ethics
Emphasis on sustainability

The “Theological Debate” Ending



The ESG (Environment, Social, Governance) era has arrived

Turning Point for the Global Economic Architecture



A new world order is needed

What is “Creating Shared Value” (CSV)?



Source: Harvard Business School website

Professor Michael Porter

Resolving social needs and challenges

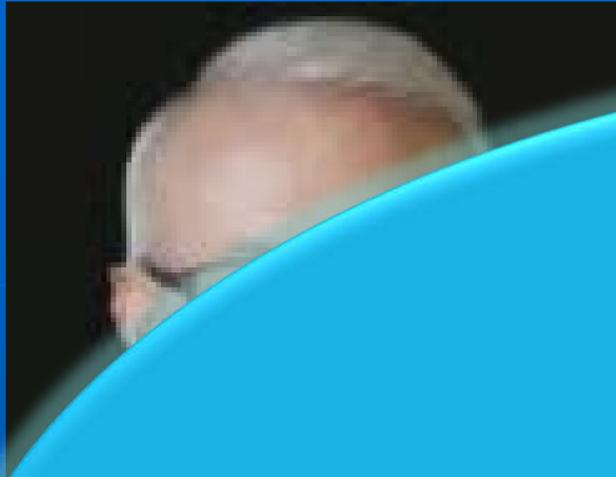
Creating social value

Creating economic value

Achieving sustained growth

An ongoing exploration of societal needs will lead companies to discover new opportunities for differentiation and repositioning in traditional markets, and to recognize the potential of new markets they previously overlooked.

What is “Creating Shared Value” (CSV)?

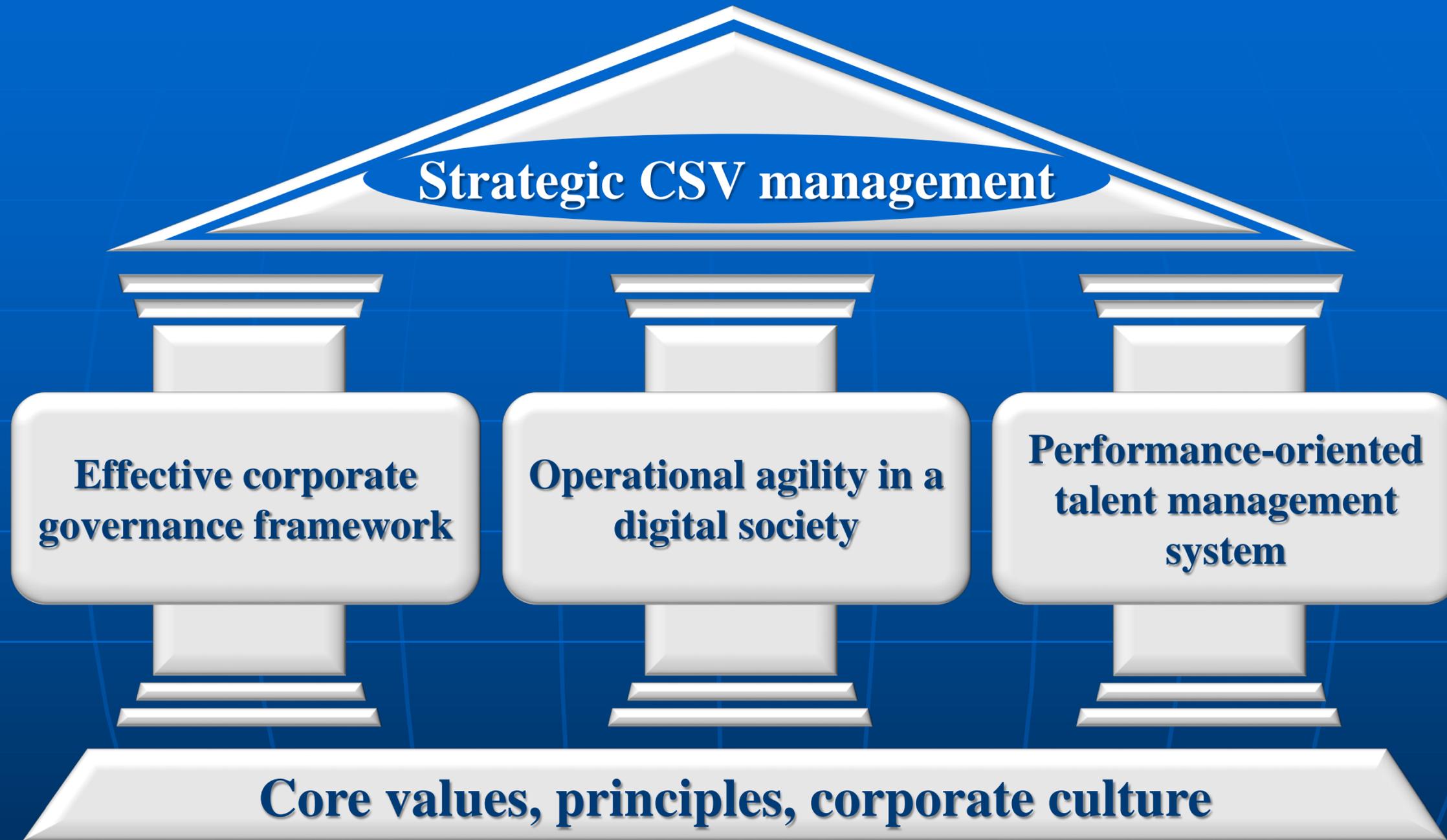


Addressing social needs and

An effective strategic framework for adapting to changes in global society and for sustainably enhancing corporate value

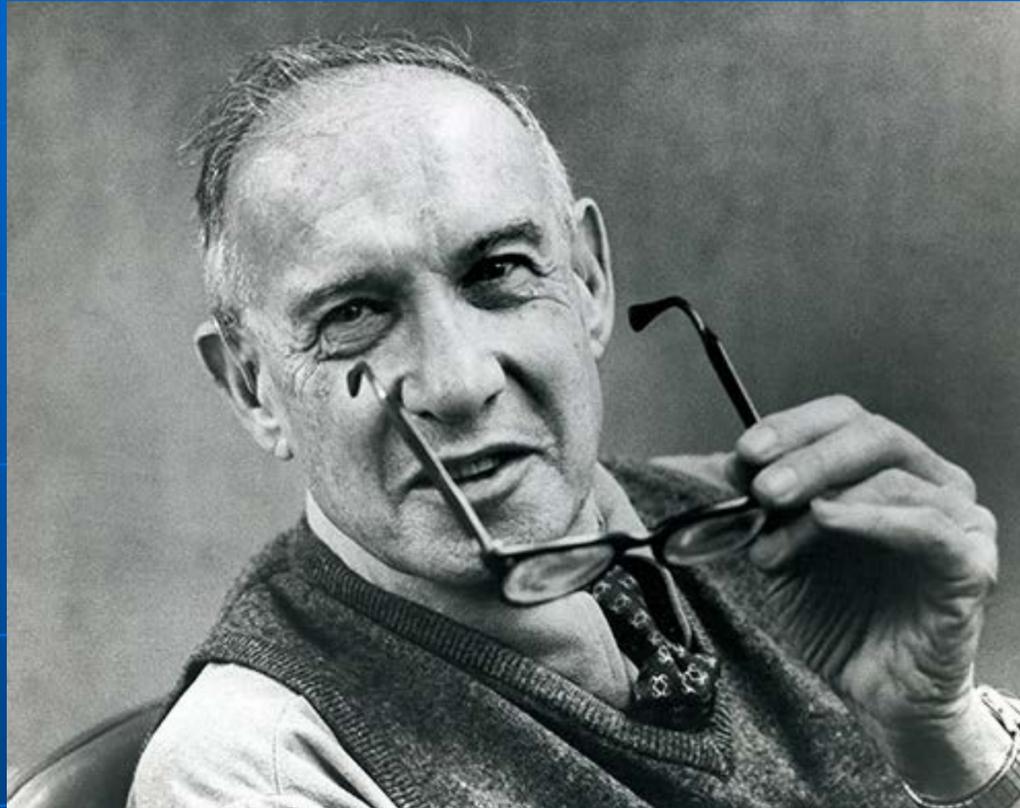
An ongoing exploration of how companies to discover new opportunities for differentiation and repositioning in traditional markets, and to recognize the potential of new markets they previously overlooked.

CSV Governance as a Strategic Framework



**Through the creation of shared value,
achieve sustainable growth and enhanced corporate value**

Foundation for Management: Core Values and Corporate Culture



Source: "Adventures of a Bystander"

“Culture eats strategy for breakfast.”

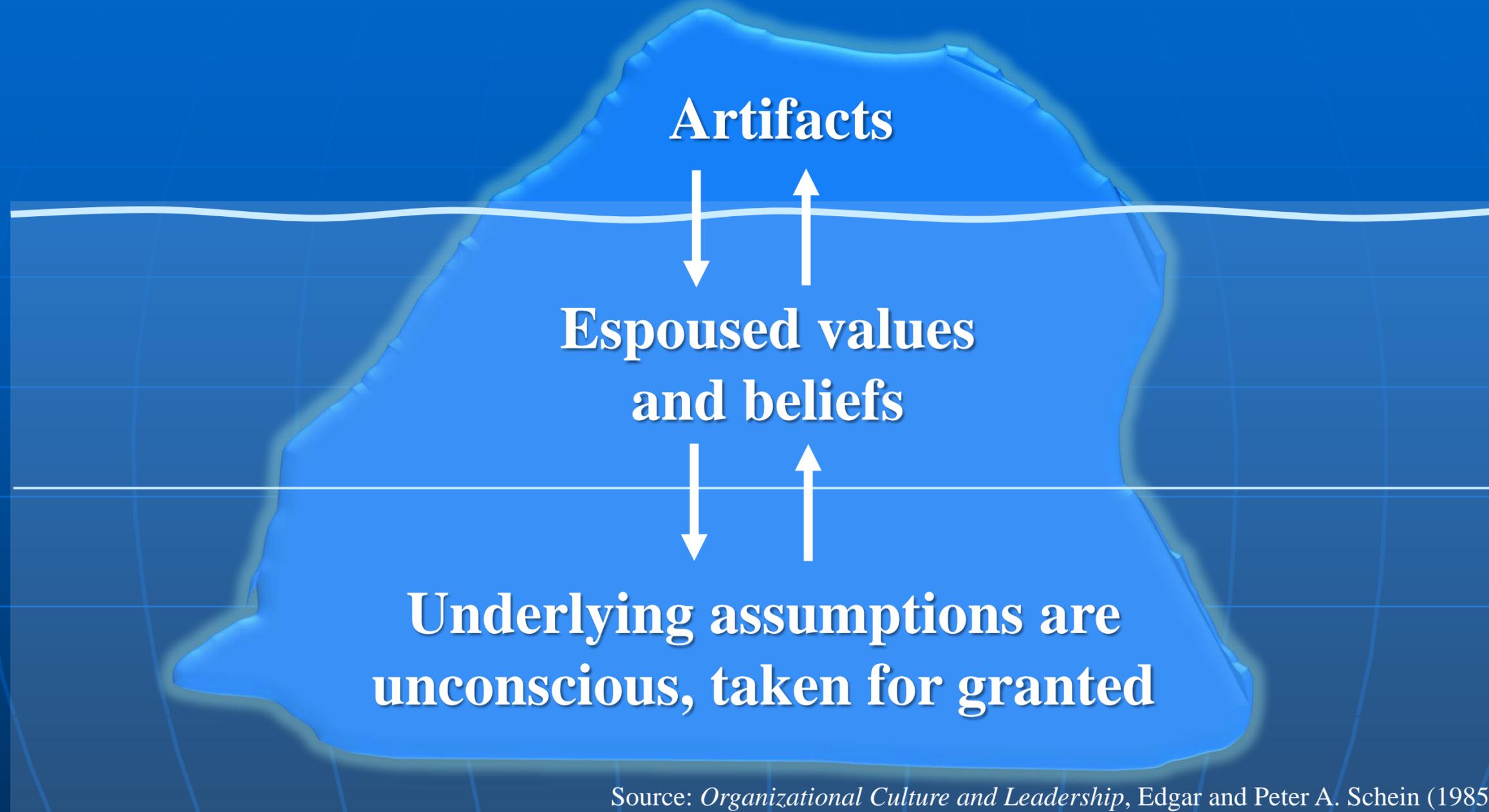
P.F. Drucker

“Values and shared action among management and employees”



Corporate culture determines strategy effectiveness

The Three Levels of Corporate Culture



**Deep permeation of core values so they
are unconscious and taken for granted**

Aflac Core Values



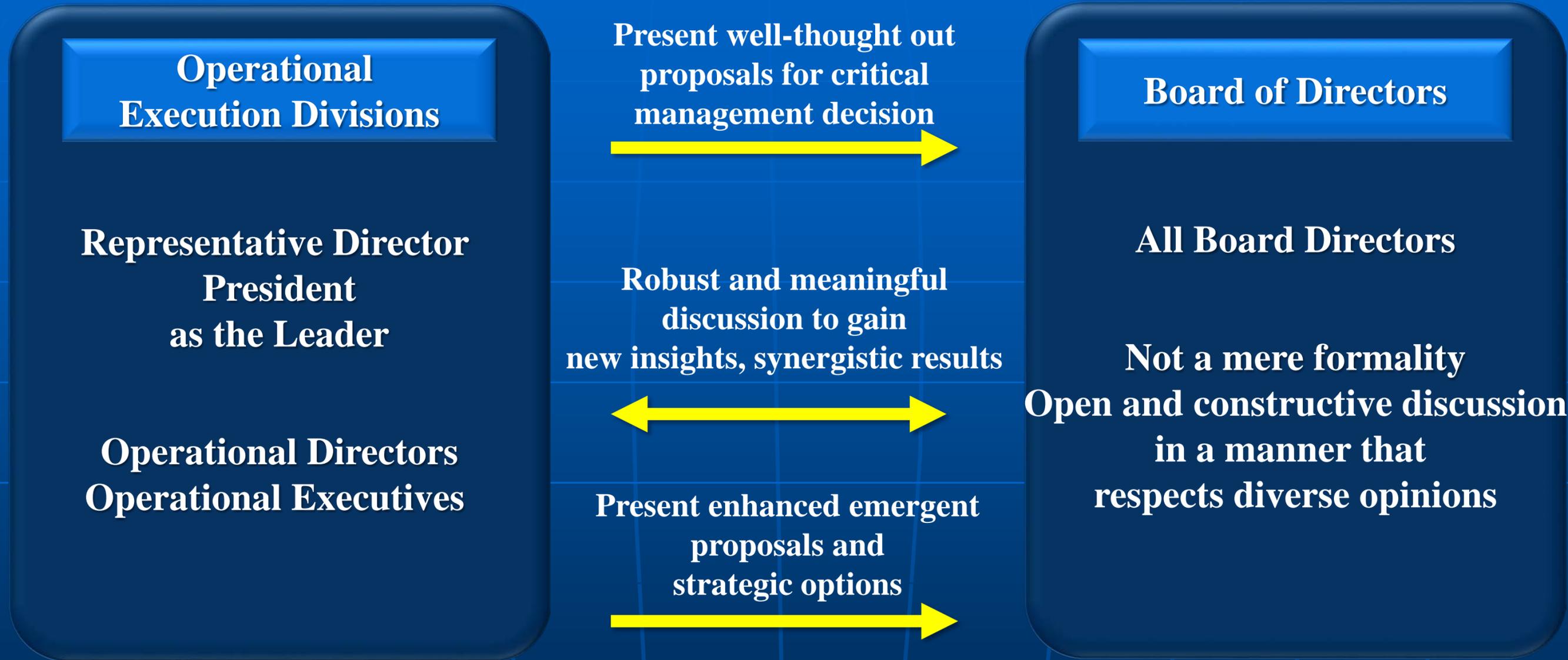
Putting into practice CSV management centered on the five major stakeholders, based on core values

Three pillars supporting CSV governance



Pillar 1: Effective Corporate Governance Framework

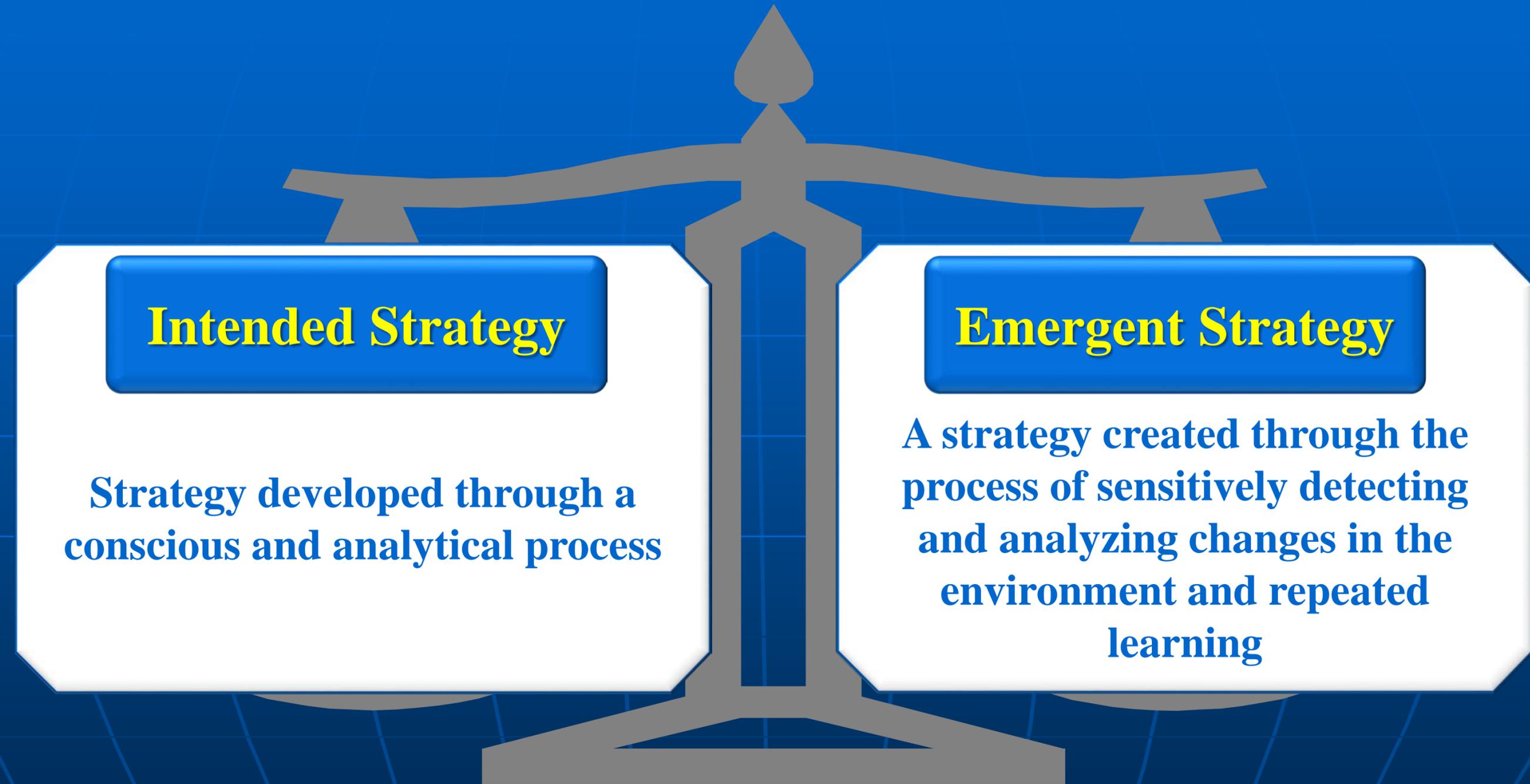
~Functional differentiation between the Board of Directors and Operational Execution Divisions~



Value creation vision
Effective strategic planning and execution

Pillar 1: Effective Corporate Governance Framework

~Fusion of Intended Strategy and Emergent Strategy~



Ensure feasibility and effectiveness with a hybrid strategy

Pillar 2: Operational Agility in a Digital Society

~Institutionalize the Agile methodology and expand company-wide~



< 5 Principles >



Cross functional



Empowerment



Focus on customer value



Iterative process



Empirical approach



< 4 Objectives >



Customer engagement



Product/service offer speed



Efficiency (Resource allocation)



People engagement

Create new value flexibly with agile thinking

Pillar 2: Operational Agility in a Digital Society

~Developing a Digital Transformation (DX) Strategy~

Medium-term Management Strategy (2020-2022)



Four Strategies

- Leveraging Digital Innovation**
- 1. Enhancing flexible and agile operations under the new governance framework
- 2. Reforming fundamentally the Company's "human capital management"
- 3. Implementing initiatives for growth
- 4. Maintaining a strong financial base and investment for growth

Aflac VISION 2024
The leading company for creating "living in your own way"

2020 → 2024

The diagram features a large orange arrow pointing from 2020 to 2024, with a white duck walking along its path. A box on the left lists four strategies, with the first one, "Leveraging Digital Innovation", highlighted in red.

Public announcement (Sept. 2020)



Aflac Life Insurance Japan Ltd

Digital Transformation Strategy

(DX@Aflac)

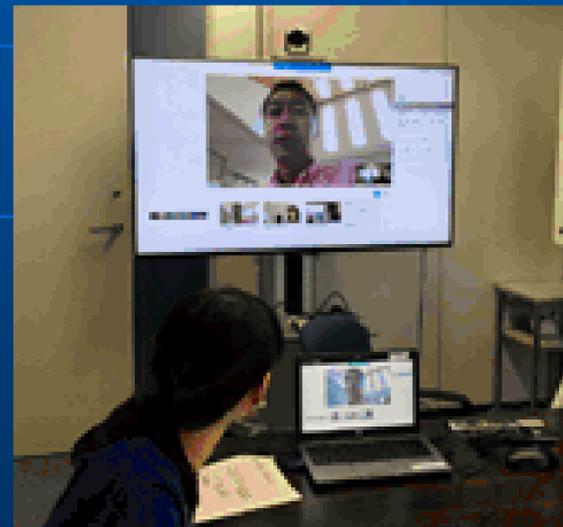
September 2020

The graphic shows a white duck flying in a digital space with data streams and network lines. The text is overlaid on this background.

Accelerate transformation by leveraging digital technology and data science

Pillar 3: Performance-oriented Talent Management System - Promoting Diversity and Work Style Reform -

“If you take care of the people, they’ll take care of the business”



Leveraging past human capital management initiatives that empower talent to fully contribute to value creation

Confronting the COVID-19 Challenge

~ How Aflac's CSV management dealt with the pandemic ~

Value Creation Vision

Responding to the mandate from the "5 Major Stakeholders"

Put into practice
customer-first core
values

Put into practice
core values to take
care of people

Ensure a sustainable
operational
framework

Adaptability fitting
for the "New
Normal"

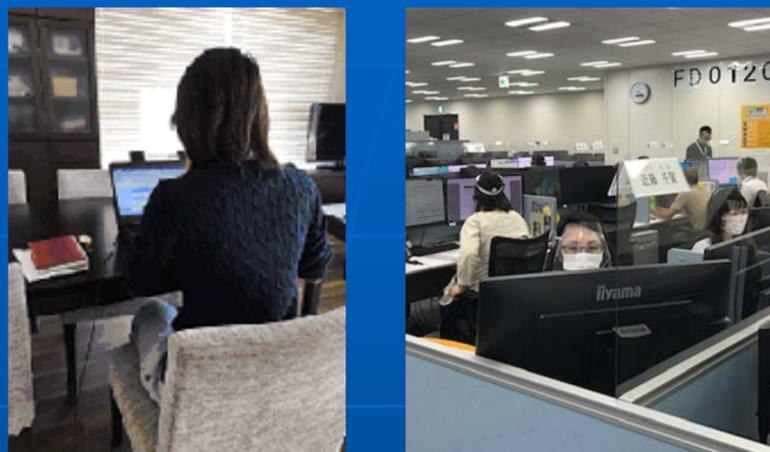
Determining goals and priorities based on the fact that
insurance business is an essential service

Board Resolution regarding the "Basic Policy for COVID-19"

Established "Business Continuity and Transformation Plans (BCTP)"

How Aflac's CSV Management Dealt with COVID-19 – Results Achieved

Enhanced work-from-home environment
Infection prevention measures
at the workplace

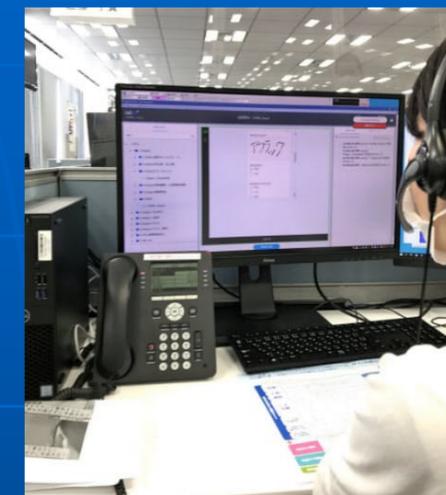


Cumulative number of paid cancer insurance policies exceeds 4 million
Total paid out amount of more than 8 trillion yen
Extension of insurance premium payment grace period
Payment of Accidental Death Benefits, etc. related to COVID-19
Handling of online medical care

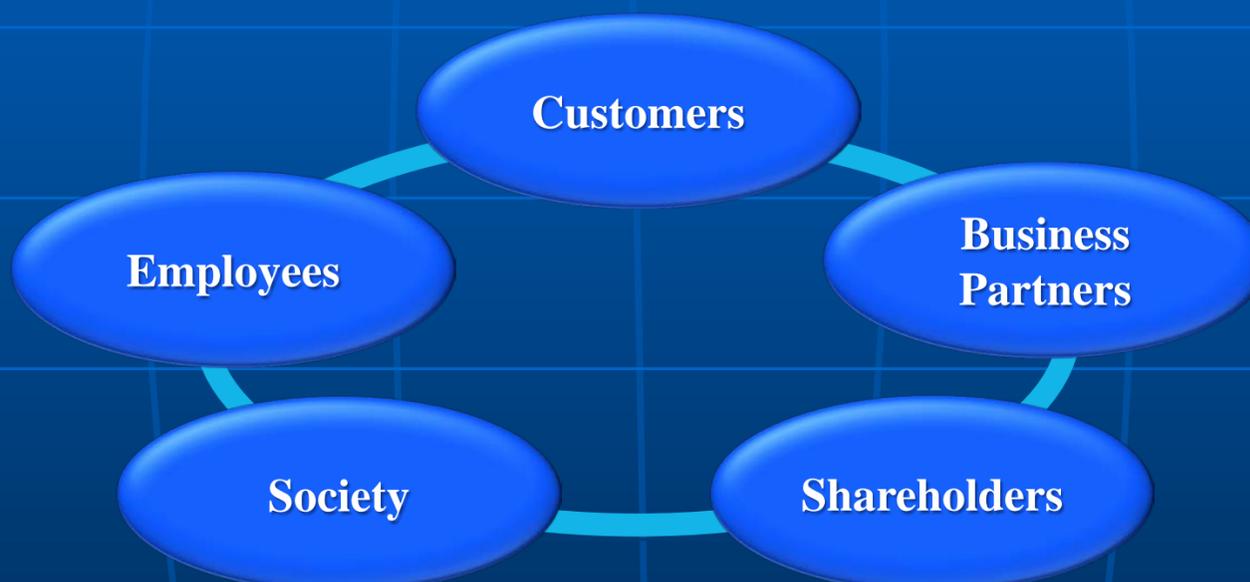


(Source) NHK

Infection prevention measures
at walk-in shops
Online consultation / application system



(Source) Nikkei



500 Million Yen to
Healthcare Professionals



Responding to the mandate from the 5 Major Stakeholders

ROE 16.8%*
S&P 500 Dividend Aristocrats
Selected as a (dividend aristocrat) stock **



*Aflac Incorporated 3Q 2020 adjusted return on equity excluding the effects of exchange rate fluctuations
**Aflac Incorporated

Conclusion: CSV Governance in an ESG Era



Achieve sustainable growth and enhanced corporate value

「生きる」を創る。

Aflliac



Thank you.